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Summary:

Hartford, Connecticut; General Obligation; Note

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Credit Profile		
Hartford GO		
Long Term Rating	AA-/Stable	Upgraded
Hartford BANs		
Short Term Rating	SP-1+	Upgraded
Hartford GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Hartford, Conn's general obligation (GO) bonds two notches to 'AA-' from 'A' based on its local GO criteria released Sept. 12, 2013. The outlook is stable. At the same time, Standard & Poor's raised the rating on the city's bond anticipation notes (BANs) to 'SP-1+' from 'SP-1' to reflect the higher rating.

The bonds and BANs are backed by the city's unlimited ad valorem full faith and credit GO pledge.

The 'AA-' rating reflects our assessment of the following factors for the city.

- Adequate economy, which benefits from participation in the broad and diverse Hartford-West Hartford-East Hartford metropolitan statistical area (MSA);
- Adequate budgetary flexibility with 2013 audited reserves at 5.4% of general fund expenditures;
- Adequate budgetary performance;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong management with strong financial policies; and
- Weak debt and contingent liabilities position.

Adequate economy

We consider Hartford's economy to be adequate with participation in the broad and diverse Hartford-West Hartford-East Hartford MSA. We also believe the city benefits from a stabilizing institution given its role as the state capital. The city has projected per capita effective buying income of 55.5% of the U.S. and per capita market value of $40,400. The fiscal 2015 grand list grew 1.4% year-over-year, to $3.5 billion.

Adequate budget flexibility

In our opinion, budgetary flexibility remains adequate, and the city has no plans to significantly spend down reserves. The city anticipates reserves for 2014 will be level with fiscal 2013's $30.4 million, which is equal to 5.4% of expenditures adjusted for transfers to the debt service fund.

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Adequate budgetary performance

The city's budgetary performance has been adequate overall in our view with a deficit of 1.4% for the general fund in fiscal 2013 after removing $1.7 million of one-time land sale proceeds, and a deficit of 4.5% for total governmental funds. Intergovernmental revenue, which consists largely of state funding, is the city's largest source of revenue (51% in fiscal 2013), followed by property taxes (46%).

Very strong liquidity

Supporting the city's finances is liquidity we consider very strong, with total government available cash at 18.6% of total governmental fund expenditures and 372% of debt service. We believe the city has strong access to external liquidity given that it has issued GO bonds frequently during the past 15 years.

Very strong management conditions

We view the city's management conditions as very strong, with strong financial practices.

Weak debt and contingent liability profile

In our opinion, the debt and contingent liability profile is weak, with total governmental fund debt service at 5% of total governmental fund expenditures, and net direct debt at 62.5% of total governmental fund revenue. The overall debt burden, including overlapping Metropolitan District Commission bonds, is 13.9% of market value. The city has self-supporting parking utility debt.

The city contributes to the state's multiple-employer defined-benefit pension plan and administers two plans of its own. Its primary municipal employee pension fund was 79% funded as of July 2012, the latest valuation date. The city fully funded the annual required contribution (ARC) for the plan in each of the past three fiscal years. The combined ARC pension and other postemployment benefit (OPEB) pay-as you-go costs for fiscal 2013 were less than 10% of expenditures.

Very strong Institutional Framework

We consider the Institutional Framework score for Connecticut cities as very strong.

Outlook

The stable outlook reflects Standard & Poor's view of the city's adequate budget performance and flexibility due, in part, to its strong financial practices. We do not expect to change the rating in the next two years as we expect the city to continue to benefit from the broad and diverse Hartford-West Hartford-East Hartford MSA and its position as state capital. We believe an improved budget performance that leads to stronger reserves could result in positive rating movement. Conversely, a weakened reserve position could drive the rating lower.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011

Ratings Detail (As Of March 5, 2014)

Ratings Detail (As Of March 5, 2014) (cont.)		
Hartford GO (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Hartford GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Hartford GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

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